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KSUM, PE
SUBJECT: (U) SECRETARY CLINTON'S APRIL 6 MEETING WITH
PERUVIAN FOREIGN MINISTER GARCIA BELAUNDE

CLASSIFIED BY ASSISTANT SECRETARY OF STATE THOMAS A.
SHANNON FOR E.O. 12958, REASONS 1.4 (b) AND (d).

11. (U) APRIL 6, 02:30 PM - 03:00 PM

12. (U) PARTICIPANTS:

UNITED STATES
The Secretary
WHA A/S Thomas Shannon
PA Spokesperson Robert Wood
S Staff
Dorothy Ngutter (WHA notetaker)

PERU
Foreign Minister Jose Antonio Garcia Belaunde
Ambassador Luis Valdivieso (Appointed)
DCM Manuel Talavera
Javier Sanchez Checa, Deputy Political Counselor

SUMMARY

13. (S) Summary: In her first meeting with Peruvian Foreign Minister Garcia Belaunde, the Secretary laid out USG thinking on the upcoming Summit of the Americas, and noted the new Administration would seek to set a new tone for hemispheric relations and will focus on issues that will have a positive impact on the lives of citizens in the Hemisphere. The Secretary offered to work with the GOP to support poverty reduction efforts as well as the fight against narcotics trafficking, and to promote stability in the region. FM Garcia Belaunde suggested the United States consider an increase of capital for the Inter-American Development Bank (IDB) targeted to help the most vulnerable Latin American economies. He advised that the announcement of a change in U.S. policy on Cuba might be most effective during or after the summit. Garcia Belaunde also asked for a clear message from the United States in support of Peru as a politically and economically stable partner in the region. Garcia Belaunde confirmed that President Garcia will participate in the Summit. End summary.

Summit of the Americas and U.S.-Hemisphere Relations

14. (C) The Secretary said the Obama Administration intended to set a new tone for hemispheric relations. She said the United States would like the upcoming Summit of the Americas to focus on social inclusion, energy, and environment, adding that there is much work to do together. The Secretary noted that some countries apparently seek to focus the upcoming Summit on Cuba. The Administration is looking at changing specific aspects of our Cuba policy, such as remittances and travel restrictions. The Secretary emphasized that it will be important not to let the summit get diverted from its main agenda.

15. (C) Garcia Belaunde agreed with the Secretary that poverty reduction, environmental issues, and social inclusion should be the summit's main focus. That said, he highlighted the economic crisis as the critical issue needing attention. For many years, Garcia Belaunde observed, Latin American countries have sought access to U.S. markets. He noted those countries that desire free trade agreements have them (Chile, Peru, CAFTA countries) or are working towards them (Colombia, Panama). However, there are other countries that oppose FTAs for ideological reasons. With this in mind, it might be helpful for the United States to talk about special financing provisions for the least developed countries in the region instead of focusing on free trade. The foreign minister suggested an announcement of replenishment of capital for Inter-American Development Bank (IDB) would be especially helpful to the most vulnerable countries. He observed the G-20 meeting seemed to focus on remedies for Eastern Europe, and there was concern that Latin America may be left out.

16. (C) Regarding the summit, Garcia Belaunde said he recently read an article stating that the Obama Administration would announce a Cuba policy before Trinidad. To do so, he stated, would be a mistake, as it would appear that the United States had not listened to regional perspectives. Moreover, an early announcement would open the issue to criticism/debate at the summit, since whatever policies are announced could well fall short of some people's expectations. Garcia Belaunde specifically noted that President Garcia, who is normally very reluctant to attend such gatherings, will participate in the Summit of the Americas.

Social Cooperation and Poverty Reduction

17. (C) The foreign minister inquired about the future of the Millennium Challenge Corporation program, as the program has been a good vehicle to address broader social issues. He added that Peru had some expectations regarding the MCC program. Secretary Clinton offered to continue working with Peru to ensure that economic benefits reached its most vulnerable citizens. She noted that successful implementation of the ongoing Threshold program would help Peru meet indicators necessary for consideration for an MCC Compact. The Secretary also noted USG assistance through Development Assistance funds and Child Survival and Health funds will continue to support Peruvian efforts to address social issues.

18. (C) The foreign minister remarked that the Garcia Administration had in fact reduced poverty from about 46 percent (when he took office) to 36 percent. President Garcia had set a goal of reducing poverty to 30 percent by 2011. Garcia Belaunde noted that strong growth over a seven-year period had helped with poverty reduction. However, he added, "there are no better social programs

than a good job."

Security Cooperation

¶9. (C) Turning to security issues, the Secretary underscored USG commitment to working with Peru to counter narcotics trafficking and other transnational crime. She noted that Sendero Luminoso seems to continue to present a challenge. With \$37 million in assistance (FY09) funds, she said, we hope to be as effective as possible in helping Peru address security issues. The Secretary asked for feedback, as the U.S. goal is to help Peru succeed against Sendero Luminoso and other security threats.

¶10. (C) Garcia Belaunde remarked that Sendero Luminoso has been reduced to remnants that are more closely linked to narcotics trafficking. He emphasized that Sendero was small, existed only in isolated areas, and presented a limited threat today. With Mexican cartels operating in Peru and the informal mining sector being used to launder money, the foreign minister underscored the security challenge is not just about drugs; it is much more complicated. Noting successes in northern Peru on alternative development, Garcia Belaunde suggested a broader, more comprehensive approach to addressing narcotics trafficking and organized crime. Finally, the foreign minister said Peru and Colombia enjoy a cooperative security relationship, aimed at preventing the use of the border areas for trafficking or by the FARC.

Promoting Regional Stability

¶11. (S/NF) The Secretary asked the foreign minister for his advice on influencing regional leaders and preventing destabilizing actions. Garcia Belaunde said that Bolivia, Ecuador, and Venezuela were all different cases. Ecuador, he noted, has the weakest economy, lacks fiscal flexibility because it is dollarized, and has been battered by decreasing exports and remittances. He stated that Ecuadorian President Correa had kept his distance from Chavez, adding that he is a well-educated man, but "a very sensitive person."

¶12. (S/NF) Garcia Belaunde said Bolivian President Morales is very dependent on Venezuela and President Chavez, observing that he is not very sophisticated. Admitting that Peru has had problems with Morales, he advised approaching him through President Lula. Chavez, Garcia Belaunde remarked, is not what he used to be. Chavez is now poorer and less aggressive and Garcia Belaunde suggested that the summit might provide an opportunity to approach Chavez. "I have known Chavez for some years now; you can deal with him," he stated. (Nicaraguan President) "Ortega, on the other hand, is a lost cause," the foreign minister declared.

A Message of Support

¶13. (C) Garcia Belaunde pointed to excellent U.S.-Peru relations. The foreign minister emphasized that Peru needs a message from the USG. A clear message that Peru is a politically and economically stable country with a sound FTA would be a good message for private investors and others to hear. Ambassador Valdivieso added that Peru's problem is not one of financing, but of confidence. He gave the example of the exclusion of Peru from the Federal Reserve's short facility, which other countries had received (South Korea, Mexico). Peru instead was advised to seek IMF facilities that carry conditionalities. Access for Peru to the Reserve

facility, Valdivieso argued, would be a positive signal of Peru's economic and political stability. The Secretary offered to raise the idea of graduating Peru to enable access to facilities with the Federal Reserve. She also noted that the G-20 also had discussed removing conditionality and the stigma it carries.

¶14. (C) Garcia Belaunde thanked the Secretary for the United States' strong leadership and offered Peru's help in addressing regional issues. He mentioned that he understood the Secretary may be visiting South America soon and noted Peru would be delighted to have her visit. The Secretary thanked the foreign minister for his offer and said, while a trip had yet to be planned, she would consider a stop in Peru.

CLINTON